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UNCLAS SECTION 01 OF 03 MANAMA 000799

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E.O. 12958: N/A

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SUBJECT: SOME BAHRAINIS RECOGNIZE THE NEED TO PLAN FOR
PROBABLE TEXTILE INDUSTRY CONTRACTION

REF: MANAMA 726

1. SUMMARY. Assistant USTR for Labor William Clatanoff, who visited Bahrain May 9-13, sounded a clarion call warning to Bahrainis that its textile and garment industry is in danger from the WTO-mandated end to the textile quota system. He made clear that the US-Bahrain Free Trade Agreement (FTA) is not a panacea to save the industry. It could, he said, save some textile firms and some jobs, but Bahrainis need to prepare for the worst. Bahrainis across the board heard the call and some appeared inspired to take action. If Bahrainis do not take action, Post expects that the political opposition may mistakenly attribute the loss of garment industry jobs to the FTA and not the WTO. The average conspiracy-minded Bahraini easily could conclude that the GOB and USG colluded to impoverish already poor Shi'a families. USG technical assistance to help address this problem could keep us on an even public relations keel. END SUMMARY.

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2. AUSTR Clatanoff visited Bahrain to raise awareness about the potential negative impact of the phase-out of textile quotas on January 1, 2005 in accordance with the WTO Agreement on Textiles and Clothing (ATC) (see reftel). Clatanoff met with GOB officials, parliamentarians, the business community, concerned NGOs and the union federation to discuss the end of the ATC transition period and possible options for re-employing hundred of Bahraini workers who may lose their jobs.

FTA IS NO PANACEA

3. After listening to the Bahrain Chamber of Commerce and Industry's (BCCI) Ready-made Garment Committee describe how the Free Trade Agreement (FTA) will double Bahrain's existing textile market, Clatanoff politely refuted the Committee's conclusions. As he had done in every previous meeting, Clatanoff noted that the Bahraini textile industry's labor costs are 10 times China's. Even optimal FTA negotiated Tariff Preference Levels (TPL) alone would not overcome China's labor cost advantage. Clatanoff instead asserted that the FTA cannot save Bahrain's current textile industry nor is it reasonable for Bahrainis to expect it to expand. What the US-Bahrain FTA can do, he said, is ease the transition for the Bahrain garment industry to adjust to world market competition. To overcome world wage differentials, Bahrain would have to leverage other advantages. For example, Clatanoff noted, key US importers and their customers ascribe to codes of conduct that mandate purchasing only from countries that guarantee workers freedom of association and the right to organize and bargain collectively.

WHAT CAN BAHRAINIS DO?

3. Clatanoff advised Bahraini interlocutors that they should look at four aspects of labor market restructuring.

- Refocus the textile industry. The business community could organize trade delegations to the US to solicit US companies to set up shop in Bahrain. The textile companies could expand their customer base and market themselves to US clients that have corporate ethics policies that demand factories with good working conditions, quick-turn-around, expedient logistics and the right for workers to form unions.

- Identify new industries for conservative Shi'a women. The business community could work with the Ministry of Industry to identify new industries to which garment workers can transfer.

- Immigration policy and Bahrainization. The Ministry of

Labor and Social Affairs (MOLSA) could limit the issuance of foreign work visas, allowing for job replacement by Bahrainis.

- Retraining. MOLSA could coordinate with the union federation and training institutes to offer re-training for positions in a new sector or for garment positions that are vacant due to Bahrainization.

PUBLIC AWARENESS CAMPAIGN

14. Clatanoff stressed the need for a public awareness campaign to explain that the end of the textile quota system may cause a loss of jobs in the sector. Alerting the public ahead of time should lessen any shock or anger by the Shi'a community. Such a reaction could trigger a political backlash, he worried. Clatanoff continued that the public relations campaign needs to separate the possible job losses resulting from the end of the textile quota system from the FTA. The coincidental entry into force of the FTA and the expiration of worldwide quotas could create opportunities for people to blame textile sector job losses on the FTA. This could become a public relations nightmare for both the GOB and the USG. Both the GOB and the USG should publicly elaborate on what the FTA can and cannot do to help the sector. MOFNE Acting Director of Economic Planning Yousif Humood told EconOff on May 9 that he is willing to launch a public awareness effort after the last round of FTA negotiations concludes.

BAHRAINI REACTION TO SUGGESTIONS

15. For the most part, the GOB and the business community were in favor of undertaking measures to aid the garment industry. Initially, BCCI's presentation described expansion of the industry. But after listening to Clatanoff challenge its assumptions about the FTA, BCCI Ready-made Garments Committee Chairman Abdul Ali Al-Aali told Emboffs on May 12 that his committee would be willing to discuss the possibility of organizing a delegation to the US to attend trade shows to sell Bahrain to US companies. Taking into consideration the conditions under which conservative Shi'a women work, Ministry of Industry Director of Information Sami Ahmed Hussain Kadhem told PolOff on May 10 that he already has identified factory work such as electronics assembly, downstream aluminum products manufacture, airline food preparation, and revitalization of handicrafts production as possible alternate industries. MOLSA Assistant Undersecretary for Training Abdul Ellah E. Al-Qassimi told Emboffs on May 11 that his division is ready to offer any kind of re-training to transition these workers. MOLSA Director of Labor Relations Ali A. Al-Khalifa told PolOff on May 11 that a new immigration policy is being discussed in conjunction with Bahrainization and unemployment insurance. The Deputy Secretary General of the Supreme Council for Women (SCW) Hala Al-Ansari told Emboffs on May 15 that SCW is willing to provide some funding and training for women in leadership and empowerment. To ensure success by so many different entities, Al-Ansari suggested that a foreign consultant be hired to coordinate implementation by all concerned parties.

16. At a luncheon where Clatanoff met NGOs and the union together, president of the textile union Kadija Ali Attiya came away inspired by the support offered by other NGO representatives attending the event. Attiya told PolFSN on May 18 that she was previously unaware of the expiration of bilateral textile quotas. She lamented that she is only one person with no staff, unable to reach every worker and to organize a "save jobs" campaign. Public Freedoms and Democracy Watch Vice President Nizar Al-Qari offered his organization's full support. Al-Qari also offered to draft letters for Attiya to the GOB, the trade union federation and the business community to seek recommendations for solutions. Bahrain Women's Society Vice President Soroor Qarooni offered Attiya help planning a campaign to inform garment workers of the situation.

17. One official thought it was wrong to focus on the plight of these 3,500 Shi'a women. Crown Prince's Court Economic Advisor Sirene Al-Shirawi told Emboffs on May 9 that free market forces would reshape Bahrain's labor market. Subsidizing or protecting any industrial sector would hinder that process. Al-Shirawi downplayed the implication that the loss of 3,500 Shi'a jobs would be highly publicized by the opposition. "There will be pain, but it will pass," she said. Al-Shirawi said she was willing to consider making these women a case study for unemployment insurance in the Crown Prince's labor reform study.

18. COMMENT. Bahrainis will need to work together to address anticipated Bahraini textile worker redundancies.

Clatanoff's previous experience as Advisor to GOB's Minister of Labor in 1981-1984 and FTA Chief Labor Negotiator were great selling points with the Bahrainis. His personal and professional experience lent credibility to his suggestions. If Bahrainis do nothing to mitigate the loss of these garment industry jobs, Post expects that the opposition will have another opportunity to highlight the GOB's sectarian discrimination against the Shi'a. The opposition also may mistakenly attribute the loss of garment industry jobs to the FTA and not the WTO. The average conspiracy-minded Bahraini easily could conclude that the GOB and USG colluded to impoverish already poor Shi'a families. USG technical assistance to help address this problem could keep us on an even public relations keel. END COMMENT.

19. AUSTR William Clatanoff did not clear this cable.
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